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SUBJECT: SOME QUESTION NZ'S DEFENSE STRATEGIES IN LIGHT OF RECENT SPENDING INCREASES

REF: WELLINGTON 449

Summary

¶1. (SBU) Embassy contacts have generally welcomed the defense spending increases in this year's budget. Some question, however, the general direction of New Zealand defense policy, and others remain concerned about what they say are continued problems with NZ Defense Force (NZDF) recruitment and retention. Although increased defense spending does not feature high on the political concerns of voters in New Zealand, this could change were social spending reduced as a consequence. End summary.

Details of the increased funding

¶2. (SBU) As noted ref tel, the NZDF received an extra capital injection of - NZD 72 million (approximately USD 4.5 million) on top off baseline finding in the 2006/7 budget, as part of the Defense Sustainability Initiative (DSI). (FYI: DSI is a 10-year initiative announced last year designed to enhance recruitment and retention, including by increasing salaries and upgrading facilities. At the time the budget was announced, Defense Minister Phil Goff declared that this new expenditure ensured that the Government will achieve its goal of contributing in a meaningful way to international affairs and rebuilding a "modern, professional, and well-equipped Defence Force." The budget also includes an NZD 305 million (approximately US 188 million) allocation to various capital projects for the 2006/07 financial year, under the Long Term Development Plan the Government launched in 2002.

News of capital injection of spending is well received

¶3. (SBU) The injection of capital from this year's Budget and the financial certainty that the DSI guarantees is widely welcomed by some analysts of New Zealand defense matters. Peter Cozens of the Centre of Strategic Studies at Victoria University in Wellington believes that with DSI, funding, plans and political commitments are now in place to allow the NZDF to meet its future policy objectives. Dr. Lance Beath, a former New Zealand defense official and diplomat now at Victoria University's School of Government, agrees.

¶4. (SBU) The Director of the Strategic and Defence Studies Centre at the Australian National University, Dr. Robert Ayson, a New Zealander who was formerly an advisor on New Zealand's Parliamentary

Foreign Affairs, Defence and Trade Select Committee, believes that the capital injection will enable the defense establishment to meet the expectations of the current Labour Government.

The political argument is less about spending, more about general direction

¶15. (SBU) The National, NZ First and ACT Parties have complained about what they say is a lack of coherence in the Government's strategic decision-making. In particular, they have questioned NZDF's asset acquisition in past years (such as Light Armored Vehicles instead of tanks) and the dearth of Government White Papers published since Labour took office in 1999.

¶16. (SBU) Paul Buchanan, an Auckland University security analyst who often provides New Zealand media with blunt assessments of security policy, believes that increasing expenditure is too simplistic a cure for perceived defense ills in New Zealand. He believes that New Zealand needs to align its strategic outlook with its resource base, taking into account the country's location, and relevant security threats. He argues that so long as the political argument is about money alone and comparisons are made to larger states, New Zealand will continue to drift with regards to its strategic position.

No, it's about spending

¶17. (SBU) It is true that some analysts say New Zealand's per capita military spending is insufficient compared to that in Australia. Most compare the United States, United Kingdom, France or Germany. The inference is that New Zealand is not pulling its weight on matters of international security and instead is freeloading off the

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Australians and others. Beath notes that New Zealand is historically parsimonious when it comes to defense spending, especially when compared to Australia.

¶18. (SBU) However, Dr. Jim Rolfe, a former policy advisor in the department of Prime Minister and Cabinet and now an Associate Professor at the Asia-Pacific Center for Security Studies based in Hawaii, believes that comparing New Zealand and Australian defense budgets is not valid because of differing strategic perceptions and needs. Buchanan agrees, saying it is "absurd to compare a small country like New Zealand with the behemoths like the US and the UK, or even Australia." Instead, he contends it's more logical to compare New Zealand with other small democracies, such as Portugal, Uruguay, Norway and Costa Rica who "each share a similar strategic problem if not situation with New Zealand." Buchanan claims that because these small democracies and New Zealand spend similar amounts on defense, New Zealand is in the mainstream of defense spending and foreign military commitment by small democracies.

Defense spending typically loses out to social spending

¶19. (SBU) New Zealand is also no different from other small democracies when it comes to other spending priorities. Historically, New Zealand budgets have allocated the majority of funds to domestic social programs, particularly health, education and welfare. Moreover, since the Vietnam War New Zealand governments have -- in the absence of imminent threat -- been reluctant to engage in sustained external military operations without majority support. The Government's unwillingness to commit combat troops to Iraq is testimony to this.

Defense spending not an issue that resonates with voters

¶10. (SBU) According to Beath "the average New Zealander is not sophisticated enough to grasp the nuances of defense spending." However, many more New Zealanders are critically aware of the new post 9/11 security environment and the need to secure New Zealand's immediate region and border from threats and to protect the region

from instability. Therefore, the recent increases in defense and related regional and border security spending do not seem to have resulted in any noticeable public outcry. But it is also unlikely that renewed calls from National for greater military spending will echo with New Zealand voters. Most New Zealanders still accept that the physical defense of New Zealand's borders is dependant on the country's larger military friends. Nor would they want to see military spending eat into social welfare spending, a deeply-rooted and widely accepted tradition in New Zealand.

Human capital most critical issue

¶11. (SBU) Government and critics alike acknowledge that the most critical issues facing New Zealand defense establishment is low personnel retention and recruitment rates. In a buoyant labor market, many highly skilled defense staff - civilian and military - are being lured to other organizations by more attractive salary packages. Cozens believes the loss of human capital is the greatest challenge facing NZDF and greatly limits the country's operational military capacity. Although he applauds the focus on building up human capital in the DSI, Cozens notes that at present there is barely a sufficient number of personnel to attend to the operational obligations of the New Zealand Defence Force, a view endorsed by Beath.

¶12. (SBU) The issue of personnel retention and recruitment is part of the political debate. Ron Mark, defence spokesman for NZ First, has campaigned on the need to apportion funding to increase defense salaries across the board. This, he argues, is the key to strengthening personnel retention and recruitment rates in the armed services.

¶13. (SBU) In a recent appearance in front of Parliament's foreign affairs, defence and trade committee, Goff announced that the shroud of secrecy that has traditionally cloaked the SAS will be lifted, albeit slightly, to offer more transparency. This pleased Mark, himself a former member of the SAS, who though acknowledging the need for secrecy on operational matters stated that the "the high and sometimes unnecessary level of secrecy was hindering public scrutiny of the [SAS] force." This, he argued, hindered the ability to recruit and retain SAS troops given the competitive market for their skills. Mark said that at present the members of Police

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Special Tactics Group are paid more than the SAS but are doing less operationally.

¶14. (SBU) During the Committee hearing Goff also acknowledged NZDF recruitment is difficult but has said that a "not ungenerous" pay package introduced in 2005 went some way to address this issue. He stated that the current defense salary range is from NZD 80,000 to 140,000 (USD49,000 to 86,000) including benefits. Yet despite this, Goff concluded, the armed services would continue to struggle to compete with lucrative private security contracts in Iraq, for example, which can pay up to NZD 300,000 tax-free.

McCormick